

Education

Proposition 98

Proposition 98-- Funding Increases– The Governor proposes to provide an additional \$1.85 billion in Prop 98 funding for K-14 education (K-12 schools and community colleges) in 2004-05. This increase includes \$752 million in new Proposition 98 funds (\$432 million for K-12 schools; \$320 million for community colleges) and an estimated \$1.1 billion in K-12 Prop 98 funds “freed-up” from one-time expenditures, deferrals and program savings.

Proposition 98 – Rebasing (Suspending) The \$752 million increase in Proposition 98 funds in 2004-05 is estimated by the Governor to be \$2 billion below the level that would otherwise be provided under the minimum guarantee. As a result, the Governor proposes that Proposition 98 be “rebased” at a level approximately \$2 billion below the level required in 2004-05. This action would require suspension of Proposition 98 in 2004-05. Suspension would require the Legislature to pass a bill – separate from the budget bill -- with a 2/3rds-majority vote.

Proposition 98 – Current and Prior Year Settle-Up. The Governor estimates that primarily as a result of higher than estimated state tax revenues that Proposition 98 funding is below the minimum guarantee by \$517.8 million in 2002-03 and \$448.4 in 2003-04. The Governor proposes that funding for “settle-up” of these expenditures, which are needed to meet the Prop 98 constitutional guarantee, be “deferred” until 2006-07.

Revenue Shift/ERAF. The Governor proposes to shift \$1.336 billion in ERAF funding from local governments to K-14 education, which will reduce General Fund obligations to K-14 education by \$1.336 billion in 2004-05.

K-12 Education

Total K-12 Funding Available. The Governor proposes an estimated \$ 1.5 billion in additional funding for K-12 schools in 2004-05. These new funds are the result of \$432 million in new Prop 98 funds proposed by the Governor and \$1.1 billion in existing Proposition 98 funds that have been “freed-up” and will be available to spend for new purposes in 2004-05.

Per Pupil Increases in Prop 98. The Governor proposes K-12 Proposition 98 per-pupil expenditures of \$6,945 in 2004-05, which provides an additional \$5 per-pupil above the 2003-04 budget.

Statutory Growth and COLA's Fully Funded. The Governor proposes to fully fund statutory growth and COLA's (cost-of-living adjustments) for all K-12 revenue limit and categorical programs in 2004-05.

Categorical Reform – Funding Shift. The Governor proposes to eliminate separate funding for 22 categorical education programs and shift \$2 billion in funding for those programs to revenue limits in 2004-05. These programs include home-to-school transportation, school improvement, supplemental grants, non-court desegregation funds, most professional development programs, year round schools, and English Learner Student Assistance. Funds shifted into revenue limits could be used for general purposes, but schools could continue to provide funding for categorical purposes if they desired.

Categorical Reform – Separate Funding Retained. The Governor proposes to retain separate funding for most education categorical programs including such major programs as Class Size Reduction, Economic Impact Aid, Special Education, Child Care, court-based desegregation, Adult Education, and ROC/P's.

Child Care

Child Care Reform. The Governor proposes a variety of reforms aimed at generating approximately \$164.8 million in General Fund savings within the state's subsidized child care programs. Specifically, the Governor proposes to establish a new family fee schedule, limit eligibility for program participation, reduce reimbursement rates, and limit the length of time recipients can receive subsidized care. These reforms follow in the footsteps of prior-year reforms authored by the Administration.

Child Care Fraud. The Governor proposes to implement a fraud, abuse and prevention program using an additional \$2 million in one-time federal funds. This proposal, which the Governor expects will save the state "well over \$100 million", is due out at the May Revision.

Public Libraries

Public Library Foundation. The Governor proposes to hold constant the level of spending on the Public Library Foundation, which provides monies to local libraries based on a statutory formula. Funding provided for this program is proposed at \$15.2 million.

Higher Education

Limits Student Enrollment at UC and CSU. The Governor proposes to reduce the number of new freshman enrolling at the UC and CSU by 10 percent, beginning in the 2004-2005 academic year. This limitation is expected to net \$45.8 million in savings. The Governor assumes that many of the unaccepted students will be redirected to the California Community Colleges (CCC). To assist in their eventual transfer from the CCCs to the UC and CSU, the Governor provides the public four-year institutions with an additional \$3.5 million to provide counseling and other transfer-related services to students.

As an additional note, the Governor's Budget contains no funding for student enrollment growth at either the UC or the CSU; as a result, it is expected that those institutions will further limit the number of students who will be able to enroll in the upcoming Spring term as well as the 2004-05 academic year.

Grows Student Enrollment at the Community Colleges. The Governor proposes to fund enrollment growth at the Community Colleges by three percent to support an additional 33,000 Full-Time Equivalent Students (FTES).

Differential Fee. The Governor proposes to charge students at the Community Colleges who have already earned a Bachelor's Degree a fee of \$50 per unit, rather than the \$26 per unit proposed for non-degree holding students. This fee increase is expected to generate \$91 million in revenue/General Fund savings.

Furthermore, the Governor proposes a similar "differential fee" policy at the UC and CSU, whereby students accruing substantially more units than necessary towards their Bachelor's Degree would pay an additional fee for those "extra" units. Savings associated with this proposal are estimated to total \$33.7 million (\$9.3 million at UC and \$24.4 million at CSU). While the Administration has stated that the new "Excess Unit" fee policy will be phased-in, the specifics of this proposal are not yet clear.

Student Fees The Governor proposes to increase fees at all three segments of higher education. At the Community Colleges, the Governor proposes to increase fees by \$8 per unit (from \$18 per unit to \$26 per unit). At the UC and CSU, fees are proposed to increase by 10 percent for undergraduate students; 40 percent for graduate students; 25 percent for professional students (UC-only); and 20 percent for nonresident students. Staff notes that the Governor reduced the amount of state

General Fund available to the university systems to offset the increased fee revenue.

Furthermore, Governor proposes to establish a long-term student fee policy, which would moderately increase student fees on an annual basis at the University of California and California State University. The increase would be tied to the percent change in California Per Capita Personal Income (CPCI). In any given year, fee increases would be capped at no more than 10 percent. This policy would likely be established in statute and would serve as a much-delayed replacement to the prior long-term student fee policy which expired a decade ago.

Reduction in Instruction and Academic Support. The Governor proposes to reduce funding for classroom instruction (by increasing the student to faculty ratio) by \$35.2 million at UC and \$53.5 million at CSU (totaling \$88.7 million). Further, the Governor's proposal includes a 7.5 percent reduction for Academic and Institutional Support Programs at UC and CSU (totaling \$98 million) which includes such services as libraries and health/dental clinics.

Student Outreach. Consistent with his mid-year reduction proposals, the Governor continues to propose eliminating all state support for UC and CSU Outreach activities, including the elimination of all state support for CSU's EOP program.

Other UC/CSU Reductions. The Governor proposes to further reduce funding for state-supported research at the UC; eliminate state support for the Digital California Project; defer \$6 million in expenditures for CSU's Common Management System; and eliminate all state-support for the Labor Studies Research Institutes at the UC (consistent with his mid-year budget proposals).

Restoration of Funding. The Governor proposes to restore a portion of the prior-year budget cuts to the UC and CSU totaling \$150 million (\$80.5 million UC and \$69.5 million CSU).

UC Merced. The Governor provides an additional \$10 million to support one-time start-up costs associated with opening the new UC Merced campus for the 2005.-06 academic year.

Community College Equalization. The Governor proposes to provide an additional \$80 million to the Community Colleges to equalize funding levels between districts.

Community College Categorical Program Reform. The Governor proposes to consolidate over \$300 million worth of categorical programs and shift those funds for general purpose use. Programs identified for consolidation include: Matriculation; Part-time faculty-focused programs; and Partnership for Excellence.

Cal Grants. The Governor proposes to make substantial limitations to the Cal Grant program, which will impact both student eligibility and the amount of the award.

Grant Amount. Specifically, the Governor proposes to reduce the grant amount for students attending private and independent colleges by \$4,226 annually (from the current maximum level of \$9,708 down to \$5,482). This reduced grant level is equal to the amount received by a UC student. This change is expected to reap an additional \$32.7 million in General Fund savings. In addition, the Administration proposes to dissolve the practice of increasing the Cal Grant award to cover any additional costs associated with fee increases at UC and CSU.

Eligibility. Governor proposes to reduce the maximum family income necessary to be eligible for the Cal Grant program by 10 percent, making the program less accessible to middle-income families. This change will save \$11.2 million in General Fund.